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*Report to the
President
by the
CIA*

Notes on Key European Issues

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NPT

After intensive consultations with our European allies and other interested governments over the past few weeks the US is now going to resume talks with the Soviet Union in order that a draft nonproliferation treaty may be tabled when the Eighteen Nation Disarmament Committee resumes its meetings on 9 May. The Europeans as a whole have been favorably impressed with the increased attention we have given their complaints and with the concessions we have made, but the pressure to agree in such a short time on problems of such importance to them has left its scars. Moreover, it is doubtful that any amount of talking or concessions will assuage those who are opposed to the treaty in principle and who regard it as a watershed permanently discriminating against those countries which until now have been unable or unwilling to become nuclear powers.

At the 20 April NAC meeting, NATO members merely made note of the NATO consultations and the US intention to negotiate with the USSR rather than endorsing the treaty. NAC accepted Secretary General Brosio's "summing up" of the NATO discussions with

only the Italians completely reserving their position. Brosio's statement noted that all member countries, except France, reaffirmed the desirability of preventing the spread of nuclear weapons, but that two countries (Germany and Italy although not mentioned specifically) still retained reservations and were unable to make any commitment at this stage. Brosio was careful to note that France did not participate in substantive discussion as she does not plan to sign the treaty.

Although other serious problems may later arise--the desire of some to put a time limit on the NPT is one--the article on international safeguards continues to be the main bone of contention with our allies. Although the EURATOM Council has endorsed as a compromise an arrangement whereby EURATOM safeguards would be verified by the IAEA, the six EURATOM members will not agree to the so-called "guillotine clause" providing that IAEA safeguards would be used if, after three years, verification arrangements had not been worked out between the two agencies. EURATOM members believe that the three year deadline would weaken the community's bargaining position in

negotiations with IAEA. Instead they suggest that the whole question be left open-ended, or that the application of IAEA controls be discussed during the conference which would review the operation of the treaty at the end of five years.

Among the nonaligned the most serious problem is to give up nuclear weapons without some sort of a nuclear guarantee. India has taken the lead in attempting to extract such guarantees from the nuclear powers in the event of nuclear blackmail or nuclear attack. Reportedly the USSR has shown a willingness to provide such a guarantee in recent talks with Indian officials. The nonaligned also want some binding provisions to be made for disarmament measures to be undertaken by the nuclear powers. Some of the advocates of such a provision would consider a failure to achieve nuclear disarmament a default which would release them from their own obligations under the treaty. In other cases those countries relying on nuclear guarantees for their security might regard an actual running down of nuclear arsenals by the guarantor powers as a threat to their own security.

Moscow has continued to appear eager to arrive at an agreed US-USSR draft treaty and has kept a close watch of our negotiations with our allies. It is now unclear, however, how much of the present draft treaty will be acceptable to the Soviets. Reversing an earlier position of indifference, the Soviets have recently stated that a provision for safeguards must be in the treaty. They will almost surely seek to minimize any EURATOM safeguards role, if one is acceptable at all. Moscow has also warned us that there are limits on how far we can go in meeting Allied objections without losing Soviet support. They are especially sensitive on the question of an eventual European federation having the right to a nuclear force, and have warned that they would have to denounce any US public statement that we interpret the NPT to permit this. A Soviet response of this sort would shatter all hopes for a treaty.

BRITAIN AND THE EEC

London's formal application for EEC membership now seems likely to be made during the first half of May, although it remains possible that the British could merely issue a firm declaration of intent to do so, leaving the actual bid until later.

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In any event, either an application or a statement in early May will mean that UK entry will be a live question at the Rome summit meeting of the Six tentatively scheduled for later in the month, and the main foreign policy issue facing the Community for at least the remainder of the year.

A definite British application prior to the EEC heads-of-state meeting could serve to blunt a possible French tactic at the conference of holding out the promise of increased political cooperation among the Six as an alternative to

enlarging the Community. The constant theme of French comment on the current UK bid has been the "inevitable" danger to the Community's present functioning of Britain's entry--which would inevitably also be followed by Danes, Norwegians, and Irish. Most opinions among the Five treats this as a bugbear, but some concede there is a potential problem. However, once an actual British application is on the table, the Five will have to face the practical problems of another turn-down of the UK as well as the consequences of its entry. British exclusion, when all is said and done, means a continued dominance of Paris' voice among the Six. On the other hand, the Five are reluctant to take the chance that De Gaulle would provoke another crisis which would mean a prolonged period of inactivity. In fact, France has taken care recently to be cooperative in Community matters--as if to demonstrate how cozy just the Six could be.

The interests of the Five nevertheless argue for British membership. How forcefully they will support these interests remains to be seen, but they have always maintained that the minimum

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condition for their support of the British cause was the UK's acceptance of Community institutions and procedures and a minimum of pleas for transitional arrangements or special consideration. Up to the point of a formal UK application, the Five have the reasonable excuse for their relative caution on the issue of British entry that they cannot after all get out ahead of London itself.

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An indirect effect of British membership, or even of its possibility, is the increased interest

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of "third countries" in preferential trading relationships with the EEC. The Community has made little progress in working out an over-all policy for countries desiring special ties but unable or unwilling to become full members. EEC Commission officials are not favorably disposed to the extension of preferential arrangements, but the member states show a tendency on a case-for-case basis to settle for restrictive solutions. Possible agreements with Spain, the Maghreb states, and East Africa--currently being studied in Brussels--and others which are likely to be bruited about in the future will be a burden on US efforts to reduce rather than to see proliferate international trade discrimination.

KENNEDY ROUND

The trade and tariff negotiations in Geneva are more likely than ever to end up as a cliff hanger, with the major participants reserving concessions to the last possible minute. Everyone is acting tough, and it is impossible to predict what the final bargain will look like. As the "crunch" approaches, moreover, the EEC is playing its cards closer to its chest, thus making it very hard to judge just how much give there may be in Common Market positions.

The fact is that the EEC Commission--no matter how well disposed to keep differences with the US in a low key--is, with only slight exaggeration, on "trial for its life" in the Kennedy Round negotiations. It must prove itself as the stalwart defender of Community interests. Insofar as it hopes to exercise a liberalizing influence on latent EEC protectionism, the Commission doubtlessly figures that it can make concessions only after a demonstration of both toughness toward and reasonableness from the other negotiators in Geneva. The Commission

has therefore been somewhat coy about how much "give" there is in the negotiating mandate it has from the Council of Ministers, but there have been hints that the Commission thinks it can take far-reaching decisions in the final confrontation.

The EEC is not our only major problem in Geneva-- Japan on food aid, Australia on wheat prices, Britain on steel, the Nordics on an industrial balance with the Community all have taken strong bargaining positions. Nevertheless, the Common Market's stand on a grains agreement and chemicals now appear to be the two biggest hurdles to overcome. On grains, briefly, the Community has reluctantly agreed to a modest contribution to food aid, but it continues to hold to a figure of 90 percent as the target ratio of EEC grains production to consumption (the so-called self-sufficiency ratio--SSR) and wants any Geneva agreement to cover feed grains as well as wheat. On chemicals, the Six agreed at the last Council meeting to insist on a "one-package" approach, that is, any tariff concessions they offer in this sector are contingent on US action to remove American Selling Price.

The Germans, despite their stake in the largest possible reduction of trade barriers, have gone along with these tough Communist positions. On grains, their concern is probably due principally to budgetary considerations. Food aid will of course cost them something. They may also reason if feed grains are not included in the Kennedy Round settlement, prices of feed grains and of feed-grain-derived productions will drop. This would increase the drain on the EEC agricultural fund, which bases Community export subsidies on the difference between higher EEC prices and lower world market prices. Germany is a large contributor to the fund. Bonn would benefit, on the other hand, from a lower self-sufficiency ratio of grains production within the Community--even though they appear not to have fought very hard for this in the Council. Now, interestingly enough at this late date, a high German official has suggested that the US pressure the Community for a lower SSR, instead of pushing for food aid.

The failure of the Germans to support a two-package approach on chemicals during the last

Council meeting came as a surprise, and no very satisfactory explanation has been forthcoming of Bonn's shifting attitude. Reportedly, the Commission favored the one-package approach and was supported by the other members. The Commission, however, may be adopting essentially a hard bargaining position, and it remains to be seen whether, in the crunch, the Germans might not "give in" to a more liberal bargain.

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NATO

With the trilateral (US/UK/German) talks nearing completion and the nuclear-planning and long-range force-planning exercises well in hand, NATO members are increasingly focusing on the study of NATO's future tasks and procedures which was authorized by the NATO foreign ministers last December. Initial indications are that the study will be free-wheeling, with an open airing of many of the most vital and sensitive questions concerning NATO's future. Some of the questions being raised have long been thought too contentious for open debate in NATO forums.

The Special Study Group and its subgroups considering the problem areas of East-West relations, interallied relations, the general defensive policy of the alliance, and the development of events outside of the alliance area have just concluded their first meetings. Ambassador Cleveland reports that in all of these meetings the national representatives displayed a surprising willingness to plunge directly into consideration of important and difficult issues. There has been a minimum of interest in the history

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of events affecting the alliance since 1949 which had been originally envisaged as the first stage of the undertaking.

Outstanding examples of the potentially explosive topics we will be facing are found in the German outline of questions on reunification and European security, which raises issues long considered taboo for open discussion. Cleveland comments that the Germans may have second thoughts about some of the issues presented but that since their paper is now before the study group it is too late to avoid their discussion. In the subgroup reviewing events outside the alliance, there has likewise already been mention of European attitudes toward US involvement in Vietnam.

With such meaty topics up for consideration it is doubtful whether enough progress can be made on the over-all study to provide the June meeting of the foreign ministers with much more than a progress report on the general direction in which the various phases of the study will proceed. Nevertheless, by the time the ministers receive their final report in December, the alliance may well have faced questions and decisions equally as challenging as those raised

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by De Gaulle's moves against the alliance in 1966.

The French are participating in all the subgroups, but whether this participation is to help promote NATO's future or only to check any threat to French interests remains open to doubt. If the French tactics in North Atlantic Council discussions on the nonproliferation treaty are any guide, their presence in the study groups may prove more obstructive than helpful. One indication of French intentions has been signaled by their delegate's remarks to the East-West subgroup where he served notice that the French position remains the same as it was at an earlier meeting of the NATO Political Advisors, i.e., that France agrees to discussions but opposes a "common line" in a field which it feels is reserved for bilateral attention.

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UNITED KINGDOM

The aura of electoral invincibility that the Labor Party under Harold Wilson had enjoyed in recent years has been shattered by setbacks in the March parliamentary by-elections and in the April local elections. However, these reverses have neither threatened Labor's majority in Parliament nor weakened Wilson's determination to continue the government controls on the economy that are the principal cause of voter disaffection. There is, in fact, some evidence that,

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the substantial majority of Labor MPs, some of whom had become increasingly critical of the government, are now ready to rally around the leadership, for a time at least, after the electoral debacles.

Wilson's recent actions have shown the importance he attaches to a continuation of the controls on the economy which have already done much to correct, temporarily at least, the UK's critical balance of payments problem. In the face of a probable defeat in the nationwide local elections, the government unhesitatingly made public only two days

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before the voting an annual budget containing the deflationary measures that are turning the electorate against Labor. Moreover, a week later, the government asked Parliament for a one year extension of the controversial freeze on wage increases.

Domestic problems increase the importance for the government to carry through its bid to enter the European communities, and to disengage further from unilateral overseas commitments. Current betting is that Wilson will made a formal bid for entry into the EEC before Parliament recesses on 13 May.

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Any bid for EEC membership

will meet some dissension in the Labor Party and possibly resignations from the government, but no more than Wilson can handle. Hopes for winning French acquiescence depend on the positive nature of Wilson's own approach and on Bonn's willingness to champion Britain's cause.

London's most immediate overseas problem is to get the rival factions in the South Arabian Federation

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to agree on an independence constitution which will enable Britain to withdraw in 1968 with some degree of honor. The fiasco of the UN mission's first visit to Aden has discouraged London's hopes of help from that quarter, but the door will be held open for further UN involvement. Foreign Secretary Brown made explicit to the mission that London is not wedded to the present federal government, but the problem remains of Adeni nationalist hostility to any federal solution. British officials still are trying [REDACTED]

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[REDACTED] to arrange meetings with Adeni nationalist leaders of the Front for the Liberation of Occupied South Yemen (FLOSY). Minister without Portfolio Lord Shackleton is in Aden and has established indirect contact with FLOSY leaders.

London has proposed reducing its forces, base facilities, and local employees in Singapore/Malaysia to half by 1971, and being completely out of its mainland Southeast Asian bases by the mid 1970s. Britain would want to continue playing some Asian role, but only through a much reduced contribution to joint (preferably US-UK-Australian-New Zealand) efforts,

operating from Australian bases and Indian Ocean island facilities. While London may be angling for US financial support of its Far Eastern role, the proposal is consistent with well known British strategic thinking and with the growing desire to cut overseas commitments and concentrate instead on a European role.

Foreign Minister Brown told Secretary Rusk that eventual total evacuation of Singapore/Malaysia had to be announced to satisfy domestic opinion. Meanwhile, contingency site surveys in Australia and plans for limited US-UK facilities in the British Indian Ocean Territory (BIOT) are proceeding. The agreement for British and American military use of the BIOT will be made public on Tuesday, 25 April 1967.

FRANCE

The recent legislative elections strengthened parliamentary opposition to De Gaulle but left him in virtually unhampered control for the next five years. While the Gaullists lack an absolute majority in the National Assembly, they seem assured of enough outside support to make unlikely any early move by De Gaulle to threaten to dissolve the chamber. Premier Pompidou, in his "State of the Republic" message to the assembly committed his government to continue its "policy of independence" in foreign affairs and to give a more social orientation to domestic policy.

Budget limitations are expected to hinder the government's ambitions in the social field, but its most serious problems will be there. In recent weeks France has experienced a wave of labor agitation in private industry--involving disputes over wages and the maintenance of full employment levels--which is likely to spread.

De Gaulle's foreign policy will continue to be aimed at increasing France's prestige as a world power and at placing France in a position to exert

influence in any situation of global importance. In the past year, De Gaulle's attitude toward the US conveys some hint that he believes the U.S. must be checked "for its own good." De Gaulle fears the U.S. may abuse its economic and military superiority and believes the reduction of U.S. influence is vital to the realization of his "European Europe." He remains firm in his opposition to U. S. involvement in Vietnam and has taken every opportunity to disassociate France from U.S. policy in Asia. He insists upon a cessation of U.S. bombing and desires negotiations which will eventually lead to a neutralized but united Vietnam.

Withdrawal of French forces from NATO and the expulsion of NATO units from France were effected not only to dramatize French independence but also because De Gaulle is convinced the USSR no longer represents a direct military threat to France. France can be expected to delay British accession to the EEC as long as possible, because Britain would then be a threat to French primacy on the continent. If, however, Britain fully accepts the Rome Treaty and gives proof of its "European" bona fides, De Gaulle may find it costly to veto an application for membership.

Pursuit of "detente, entente and cooperation" with the USSR and Eastern Europe remains an essential

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element of De Gaulle's foreign policy. His visit to Moscow last June resulted in a series of agreements for economic and technical cooperation with the Soviet Union but there have been recent indications these agreements have not panned out quite as well as he hoped. France will continue to increase its relations with the Eastern European countries: De Gaulle will visit Poland in June and Pompidou is going to Moscow in July.

De Gaulle insists that a settlement of the German problem is possible only within the framework of an over-all European solution, and his policy of detente with the East is partly based on this conviction. Privately he has expressed doubt that German reunification can be achieved before a generation. He has consistently refused to recognize East Germany in order not to antagonize Bonn unnecessarily. He has stated publicly that Germany must accept the Oder-Neisse line as the permanent boundary between East Germany and Poland.

Both concern for French interests and the desire to take a global view are apparent in De Gaulle's approach to current international negotiations. France has maintained a hard bargaining

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position on the Kennedy Round, but it has been cooperative in trying to effect a solution. It has indicated it will not sign the proposed Non-Proliferation Treaty, arguing that it ignores the basic issue of reducing armaments and discriminates against nonnuclear powers. De Gaulle's disdain for all agreements to date to control nuclear weapons is apparent in preparations now under way for a series of nuclear tests to be conducted in the Pacific between 1 June and 15 July, 1967.

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ITALY

Italy's coalition leaders have recently reached an agreement on priorities on a few aspects of their legislative program and this seems to have led to a temporary relaxation of the tensions under which the Moro government had previously labored. The Christian Democratic, Socialist, and Republican leaders have called for approval of the long-delayed Five Year Economic Development Plan (1966-70), labor union wage restraint, and approval of legislation permitting regional elections in 1969. However, their statement appears an admission that there is little likelihood for much progress on reform, other than economic planning, before the end of this legislature in 1968.

On 17 March, the Chamber of Deputies approved the Five Year Plan and it is expected to be passed by the Senate sometime before June. The Plan-- which calls for a 5 percent annual growth rate-- is regarded as a law providing a framework for government economic, financial, and social policy. It calls

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for a heavy volume of economic and social implementing legislation, much of which is likely to prove a source of future discord within the Moro coalition.

The idea of planning and the objectives of the Five Year Plan have gained general acceptance in Italy, and the Plan is regarded as the heart of the center-left government's program. Its formal approval "as a framework law" may redound to the political advantage of the coalition parties in the 1968 parliamentary elections. Unfortunately, there is likely to be little progress by then on specific "bread and butter" reforms involving schools, urban development, and the public administration which are called for by the Plan.

At this stage, the Christian Democrats--with an eye to the conservative vote in 1968--are reluctant to push hard on specific reforms, despite public statements to the contrary. The recently unified Socialists are still dissatisfied with the pace of the government's program and are worried about their electoral image. Their problems are compounded by some leadership and organizational difficulties and some Socialists fear that their

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current disarray will hurt the party's performance in the Sicilian regional elections this June.

Interparty differences over legislation connected with the Five Year Plan, widespread dissatisfaction with cumbersome parliamentary and bureaucratic procedures, and the Socialists' concern over their electoral prospects, spell further difficulties for the Moro government in coming months. Premier Moro's recent decision to dismiss Italian Army Chief of Staff General De Lorenzo--over the objections of several important Cabinet ministers--may also exacerbate strains within the coalition. At this stage, however, a government crisis does not seem in prospect.

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THE NETHERLANDS

The new Dutch government of Prime Minister Piet de Jong was sworn in on 5 April. A coalition of four traditional parties, it does not represent the dissatisfaction with political and social rigidities which marked the 15 February lower house elections. Prime Minister de Jong's program, however, as presented to the legislature on 12 April, included at least one measure designed to please new Dutch proponents of single member districts as opposed to the system of proportional representation.

Dutch relations with the United States are marked by repeated complaints that Washington takes the Netherlands for granted and is not helpful on issues where the Dutch national interest is involved. The Netherlands is in fact one of the most stalwart supporters of American positions in European matters. There are, however, two issues which irritate the Dutch--the request of the Dutch airline, KLM, for new landing rights and the Dutch request for US technical assistance in building nuclear-powered submarines. A Dutch complaint of more recent origin is that the US is charging research and development costs on aircraft purchased by the

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Netherlands but is not similarly charging Italy and Norway. Prince Bernhard expressed Dutch grievance on these issues only last month.

BELGIUM

Last month Prime Minister Vanden Boeynants' uneasy coalition of Social Christians and Liberals completed its first year in office, having survived such domestic problems as in intracoalition dispute over the budget, and the continuing tensions between the French and Dutch-speaking sectors. Brussels faced a crisis earlier this year in its relations with the Congo because of disagreement over the status of the copper company, Union Miniere. The company eventually received the greater part of its demands but the basic Belgian relationship with the Congo remains cool. Belgian military training in the Congo continues as does most of the technical assistance including provision of teachers. Belgian participation in the Congolese administration, however, is being eliminated.

NATO has given rise to important questions in US-Belgian relations. US Embassy Brussels believed until recently that the Belgian Government would permit PX and commissary privileges for US troops at the SHAPE installation. Prime Minister Vanden Boeynants, himself a small shopkeeper earlier in life,

evidently intervened toward the end of the negotiations in late March to insist that no goods readily available in Belgium could be provided at lower prices in a US commissary. Belgium plans to reduce its NATO-committed troops in Germany but claims it will take the matter up in NATO beforehand.

Belgian prestige in European conclaves has probably diminished since the departure of Socialist Foreign Minister Spaak from the government in March 1966 although general foreign policy lines remain the same. On the nonproliferation treaty, however, Spaak (now Chairman of the NATO Study Group on Inter-Allied relations) has been somewhat less ambiguous than Harmel. In conversations on 15 and 17 April Spaak said it is important for the United States to find some way to re-affirm its commitment to guarantee the security of Europe. The nonproliferation treaty embraces important questions about formalizing the long term continuity of the US guarantee. Moreover, Europe should re-launch unification efforts when it has been deprived by the nonproliferation treaty of a military role. It should seek to find a world role in non-military fields, for example in assistance to the developing countries.

SCANDINAVIA

The major problem facing most of the Scandinavian countries at the present time is the serious and continuing decline in popularity and voting strength being suffered by their Social Democratic parties (SDP) after long periods in power. Although the erosion has benefited parties on both the right and left, the SDP leaders' efforts to rectify the situation have so far taken the form of concessions to the more organized and articulate left. The exception is Finland where the SDP was the major victor in the 1966 elections.

The Scandinavian countries joined forces in appointing a chief negotiator in the Kennedy Round negotiations but have not been able to adopt the same procedure with respect to EEC membership. This is chiefly due to differing policies and interests. Denmark expects to follow closely on Britain's heels in applying for membership; Norway will join if Britain is accepted. Sweden's interest in some form of affiliation is conditioned by its neutrality policy. The same applies to Finland which cannot accept the Treaty of Rome in its present form.

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In Denmark, Prime Minister Krag's minority Social Democratic government has moved toward parliamentary cooperation on domestic issues with the far left Socialist Peoples Party, a step widely interpreted as foreshadowing an eventual coalition government. In the short term it is unlikely that the new strength on the left will be allowed to affect Danish foreign policy substantially, and over the long term sociological factors might eventually bring about a shift to the right.

SDP leaders are having increasing difficulty in maintaining a generally favorable stand toward US policy in Vietnam. Although public debate on this issue has sharpened, it has never reached the intensity that it has in Sweden, and recently some voices have been raised in defense of the US.

In Sweden Prime Minister Erlander's governing Social Democratic Party is not only experiencing erosion on its right and left wing, but polls indicate that Erlander's standing within his own party is relatively low. The major threat comes from

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young disgruntled leftwingers who are finding Carl Harmansson's nationalist oriented Swedish Communist Party an acceptable alternative. If their political fortunes continue to decline, the Social Democrats may either be forced to step down or consider collaboration with the Communists. Such a shift could be hastened by the 65-year-old Erlander's retirement which he is said to desire.

His most likely successor, and protégé, is Minister of Communications Olof Palme, 39, who is immensely popular with young radicals both within and without the SDP. Under Palme it is unlikely that Sweden's basic foreign and defense policy of neutrality would change, except on the Vietnam issue where Palme has been highly critical of US policy. It was pressure from his leftwing that gave rise to Foreign Minister Nilsson's recent proposal--which the government is likely to accept--that Sweden not accredit a new ambassador to Saigon. Palme has given no indication that he opposes Sweden's future association with the EEC and has shown no sympathy for Finnish President Kekkonen's Scandinavian nuclear-free zone proposal.

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Anti-Americanism in Sweden over Vietnam has been the most intense by far of any Scandinavian country, often taking vicious form in speeches, demonstrations and flag-burning. Government officials, unable to hold the line against leftist pressure, have strayed far from a "neutral" stand by condoning protest activities and by ambiguous statements easily interpreted as detrimental to the US.

In Norway the Social Democrats (Labor Party) lost their 30-year tenure in the 1965 elections and have not been able effectively to challenge the 4-party coalition non-Socialist government that succeeded them. One reason is that Prime Minister Borten's government has generally carried on the same policies, although there has been some criticism within both the Labor and Conservative parties over Foreign Minister Lyng's handling of foreign relations especially his emphasis on increasing contacts with Eastern European countries.

As in Denmark and Sweden, the Labor Party is having trouble with its young radical leftwing elements who are challenging older party leaders,

with the full cooperation of the far left Socialist Peoples Party.

Although there have been protest demonstrations over Vietnam, the Norwegians in general have taken a more moderate and understanding view of US problems there. Foreign Minister Lyng has privately offered his services if the US can find him useful in furthering an honorable and peaceful settlement under the guidelines of the Geneva Agreement.

Finland is the only Scandinavian country where the Social Democrats are not on the decline. On the contrary, as the major victors in the 1966 election their party leader, Rafael Paasio, formed a Center-Left coalition under President Kekkonen signalling the SDP's return to power after ten years on the sidelines. Even more significant was the first Communist participation in the cabinet since 1948. Despite some internal strains, this coalition has successfully weathered its first year with generally good behavior on the part of the small Communist element. Attention is currently centered on the 1968 presidential election.

With scarcely a doubt over Kekkonen's re-election, the issue concerns whether the method should be changed from presidential electors to a direct popular vote.

While deploring the Vietnam war, the Finnish Government has carefully avoided partisan statements despite pressure from Communist and leftwing elements.

Parliamentary elections on 11 June in Iceland will determine the relative balance of power among the four parties--the governing Independence (Conservative) and Social Democratic coalition, and the opposition Progressives and Communist-front Labor Alliance. If the government parties lose their slim majority, they will be compelled to look to a third party for a majority. Hopefully this would again include the Independence Party to provide an element of stability and continuity in US relations with Iceland which have improved significantly since the mid-fifties.

While the presence of US forces in Iceland has become much less controversial, it could stir some

public interest and debate in the upcoming election campaign. A straw in the wind is a recent Progressive Party resolution advocating gradual withdrawal of US forces over a four year period which could have greater appeal in the present atmosphere of East-West detente and lessening of the Soviet threat.

SPAIN

The constitutional law approved by referendum last December provides for a smooth transition from Franco's personal rule, but the Generalissimo shows no inclination to quit. In spite of rumors of health problems, he is in good shape for his 74 years.

Franco may appoint a premier under the new law but will most likely refrain from naming a successor as chief of state. The most logical choice for premier is Captain General Agostin Munoz Grandes, the present vice chief of government and chief of the High General Staff. Franco has given no indication as to whom he might choose, and he may want a younger man than 70-year-old Munoz.

The army will control the succession which is expected to be orderly, although some groups may express their discontent with dictatorship controls. The man with the most valid claim to be chief of state is Don Juan de Borbon, son of the last King Alfonso XIII. Another possibility is his son Juan Carlos. However, lack of enthusiasm for a monarch may lead the army to opt for a nonroyal regent, probably a military man.

Recent policy decisions by the regime have dimmed hopes that the new constitutional law would liberalize government controls. The three implementing bills seriously water down the initial promise of the constitutional law. Religious-liberty guarantees to non-Catholics are qualified by requirements of public order, and the newly provided direct election of one-fifth of the Cortes is arranged to favor regime supporters. The possibility that the National Movement, the only legal political organization, would be deemphasized was upset in the implementation bill. Procedures outlined for electing members of the National Council, which is to serve as a sort of upper house of the legislature, allow little chance that independent candidates will be elected. Thus the hope that the rigid one-party system would be modified to allow some plurality of political groups has now faded.

The regime has used strong-arm measures to disperse student and worker dissenters in recent months, and in February the Interior Ministry announced that students arrested in clashes with the Armed Police would be turned over to military authorities for trial. On 4 April the penal code was revised to provide severe prison

sentences for violations of the limitations on freedom of the press.

In spite of these curbs, the Franco regime will find it increasingly difficult to keep down pressures for liberalization. The press continues to maintain its right to dissent. Labor is agitating for free unions and higher wages, and students are demonstrating for university reforms. These pressures, however, will strengthen the government's will to maintain its hard line.

U.S.-Spanish relations face some minor problems in the next few years. Madrid is pressing for US support in its bid for closer economic and defense relationships with Western Europe. It wants to be included in readjustments of Western defense arrangements in NATO, and to be granted at least association with the European Common Market. It also seeks US support in its current effort to regain Gibraltar.

Madrid continues to forbid overflight rights for aircraft with nuclear weapons, as a result of the January 1966 crash at Palomares. The US-Spanish defense agreement comes up for renegotiation in 1968 and the Spanish are expected to bargain for additional benefits.

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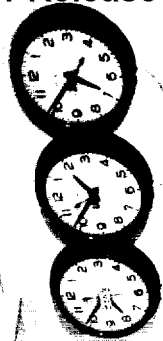
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GERMANS

FOREIGN



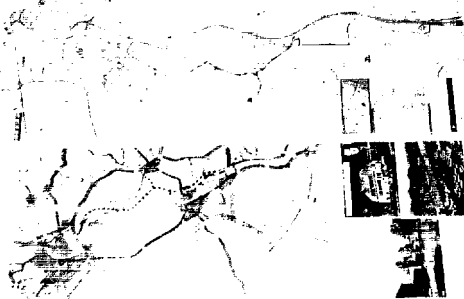
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PRESIDENTIAL TRIP
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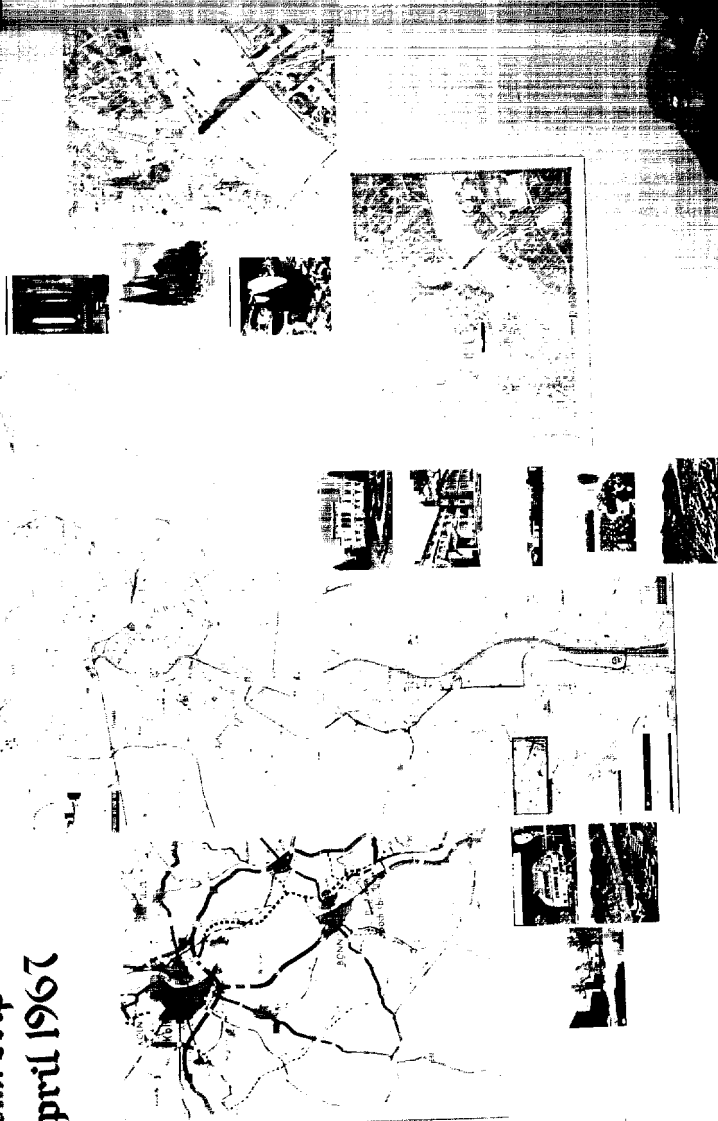


Bonn trip
April 1967



**PRESIDENTIAL TRIP
TASK FORCE**

Bonn trip
April 1967



APRIL 67 TASK FORCE
ADAMANT'S FURTHER